



COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

Maintaining the Competitiveness of the Port of Virginia

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Secretary of Transportation
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Virginia Department of Rail and Public Transportation



The Port of Virginia

- The Virginia Port Authority (VPA) is a critical economic driver in the Commonwealth; the Port of Virginia (which includes VPA and the private Maersk/APM facility) is an even larger economic driver
- The state-controlled VPA grew from the consolidation of individual ports in Hampton Roads to foster and stimulate the shipment of goods and cargo through the ports
- VPA has grown to be one of the largest container operations in the United States; 3rd largest on the East Coast
- The addition of the private APM facility creates expansion opportunities outside the publicly owned VPA structure – less than 25% of its capacity is being used today
- Based on average usable capacity today, approximately 12 additional weekly services could be accommodated by the Port of Virginia with no changes in the size or operations of existing port facilities (1 weekly service = 3,000 TEUs).

The Port Has the Ability to Compete

- The Port will be competitive well into the future because of external factors:
 - The Panama Canal expansion will be completed by 2015 allowing additional and larger ships to use the Canal – a size and scope not yet seen
 - Limited capacity expansion after 2020 of the Port of New York & New Jersey
 - Deep natural channels that can accommodate the largest cargo ships
 - Known physical expansion opportunities at APM and Craney Island
 - Existing freight rail network along with significant rail improvements by the Federal Government, Virginia, Norfolk Southern and CSX in the coming years
- However there are constraints on the Port's future competitiveness
 - Securing capital funding for port expansion in VPA's 2040 plan
 - Securing capital funding for road and rail improvements consistent with the Commonwealth Transportation Board's long range plan

Cargo Truck Traffic Will Increase as Business Grows

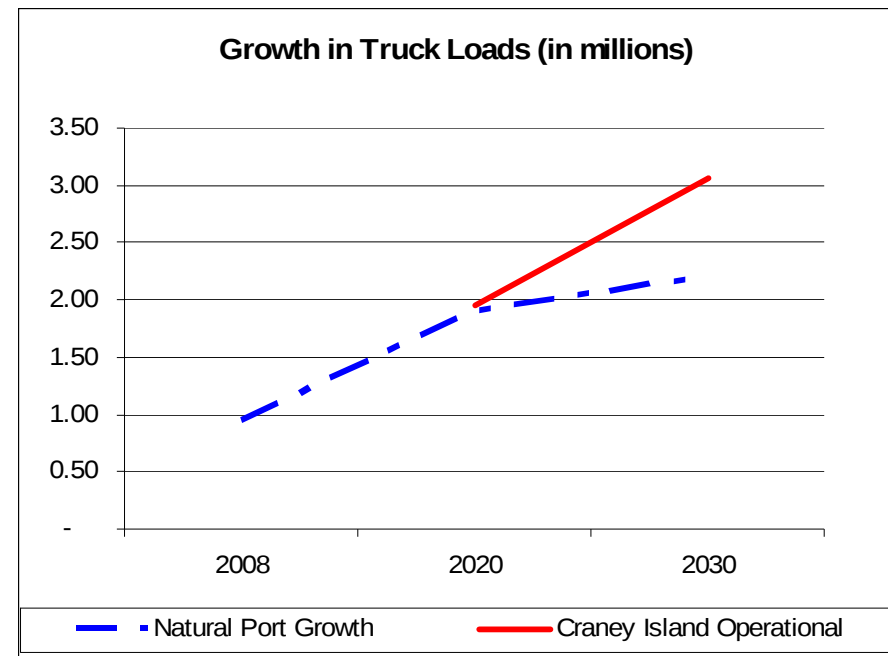
As APM's capacity is consumed, the cargo truck traffic which today moves primarily on I-64 on the Peninsula may balance to both sides of Hampton Roads

By 2020, truck loads are expected to double with natural port growth

When Craney Island is developed, the cargo truck traffic is projected to shift more to the Southside and grow significantly

By 2030, truck cargo moving to and from Portsmouth Marine Terminal, APM, and Craney is projected to be double that at NIT

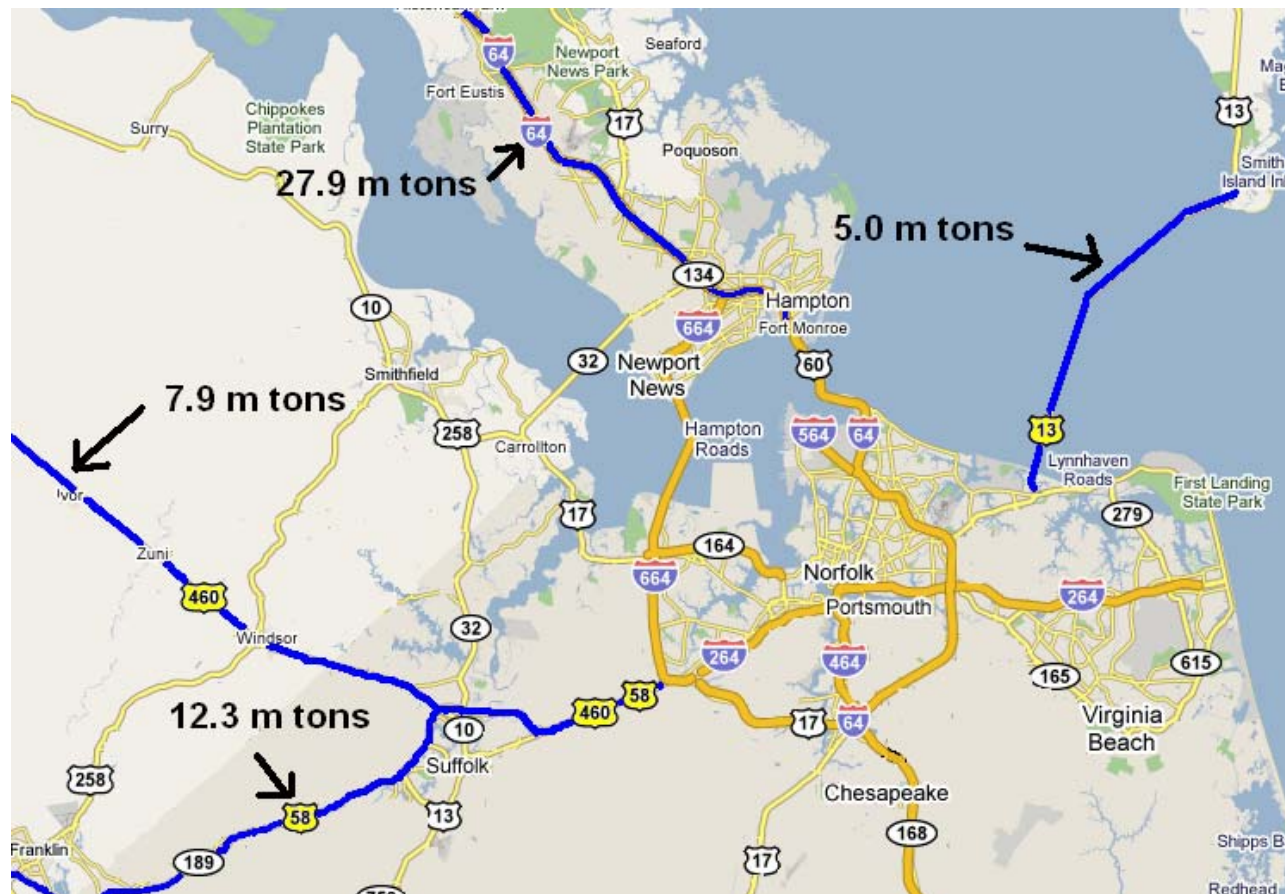
The development of Craney Island provides port capacity until the mid-2030s



Road and Rail Networks Will Support or Constrain Growth

- The Hampton Roads Planning District Commission reported the following top 5 movements for all freight – not just Port related freight – in the Hampton Roads region in 2004 (in order of volume):
 - I-64 on the Peninsula – 27.9 million tons of freight; 15.8% of traffic on I-64
 - Route 58 in Suffolk and Southampton County – 12.3 million tons of freight; 19.0% of traffic on Route 58
 - Route 460 in the counties of Sussex and Island of Wight – 7.9 million tons of freight; 24.5% of traffic on Route 460
 - Route 13 (the Chesapeake Bay Bridge Tunnel) – 5.0 million tons of freight; 16.2% of traffic on Route 13
 - Route 17 in Chesapeake – 3.5 million tons of freight; 8.3% of traffic on Route 17
- Rail by freight experienced double digit growth in 2007

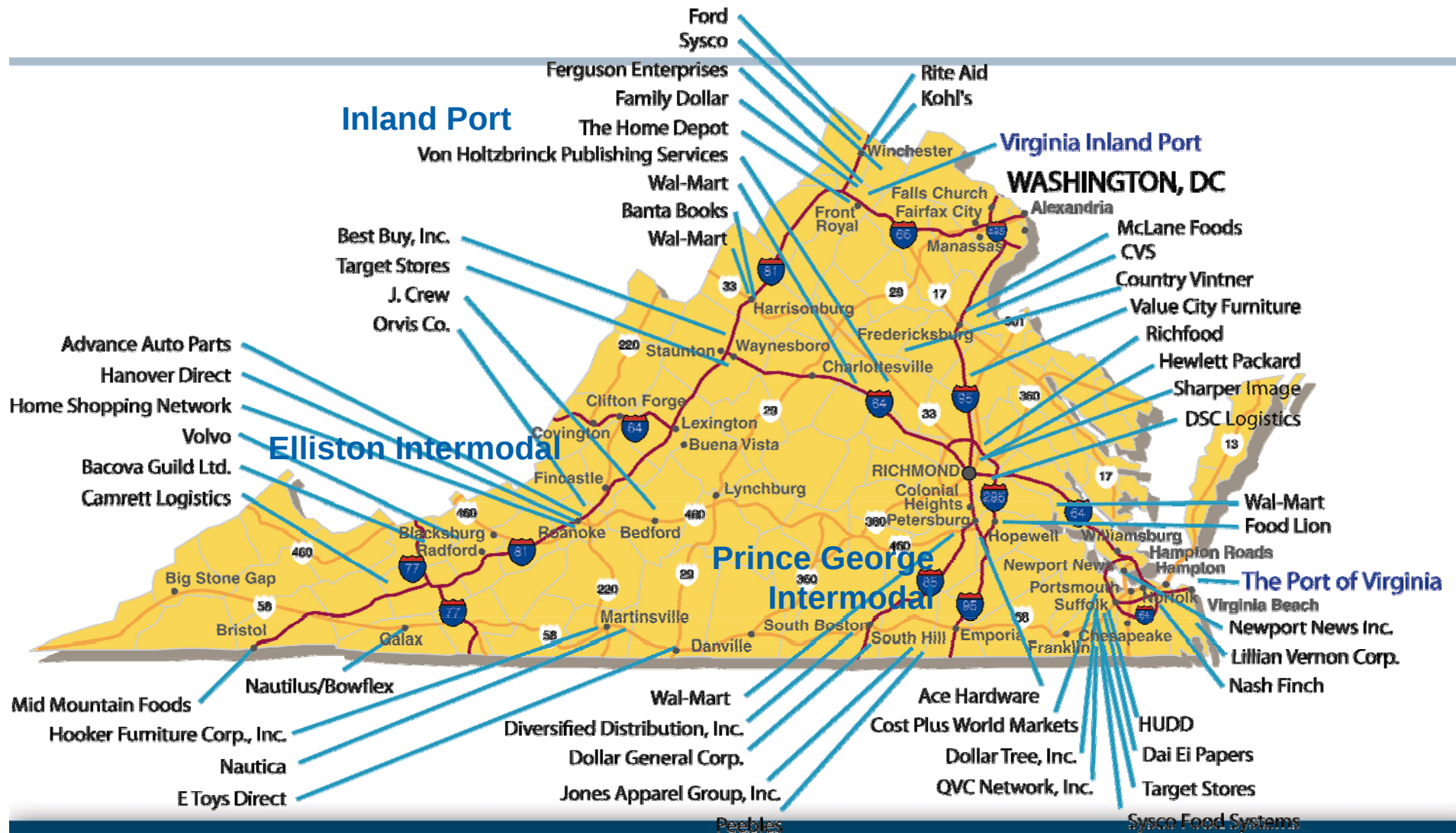
Road Connections to the Port Are Strained



Rail is a Competitive Advantage for the Port



Distribution and Intermodal Facilities Directly Related to the Port



Port and Rail Programs Support Statewide Economic Development Program

- Target: 1060 jobs; \$151.5 million investment
- Wal-mart: 2950 jobs; \$230 million investment
- Home Depot: 125 jobs; \$25 million investment
- Gatorade: 250 jobs; \$140 million investment
- IKEA: 800 jobs; \$36 million investment
- Rolls Royce: 500 jobs; \$100 million investment

Maintaining Port Competitiveness Through Operational Improvements

- Improvements in existing port operations can expand capacity. Currently the Port has capacity to move about 3.9 million TEUs (twenty foot equivalent unit).
 - Dwell time reductions for containers at Norfolk International Terminals (NIT) by ½ day expands capacity by 300,000 TEUs per year
- Operational improvements at existing VPA facilities will increase Port-related truck traffic as well as rail movements
 - Operational improvements can be made at NIT

Maintaining Port Competitiveness Through Expansions at APM and Craney Island

- While operational improvements focus on NIT; major expansion opportunities are in Portsmouth at APM and Craney Island
- How and when APM cargo movements increase is a private business decision – the terminal has usable capacity
- The Craney Island Eastward Expansion, the proposed fourth VPA terminal, has achieved federal environmental approval and design is underway
- There are four primary cost components to Craney's internal development; funding has not been secured other than \$155 million in Commonwealth Port Fund bonds and limited other pay as you go transportation funding

1. Create horizontal infrastructure	\$ 712 million
2. Build internal road network	\$ 233 million
3. Build internal rail network	\$ 97 million
4. Build terminal	<u>\$1,389 million</u>
TOTAL COST	\$2,431 million

Maintaining Port Competitiveness Through Expanded Road and Rail Networks

For the future competitiveness of the port, the critical highway corridors and rail networks are necessary

The Commonwealth has entered or is considering public-private partnerships for the 5 major highway projects shown

Toll levels will be a factor in the competitiveness of the Port

Highways	
Project	Est. Cost
3 rd Crossing	\$4.8 billion
I-64 widening (Peninsula)	\$1.1 billion
I-64 widening (Southside)	\$1.1 billion
Route 460	\$1.5-\$2 billion
Route 17	\$1.7 billion (including SE Expressway)
Local roads	Unknown

Maintaining Port Competitiveness Through Expanded Road and Rail Networks

The Statewide Rail Plan identifies a number of critical rail projects that are important to the movement of freight thru Virginia

The Commonwealth has entered or is considering public-private partnerships for 3 of the 5 projects shown

Rail rates will be a factor in the competitiveness of the Port

Rail	
Project	Est. Cost
NS Heartland Corridor	\$66.0 million (VA) \$310 million (total)
NS Coal Corridor	\$12.1 million
Shortline Railroads	\$10.6 million
CSX National Gateway	\$48 million (VA) \$724 million (total)
Suffolk Grade Separations	\$260 million

The Slowing Economy Will Reduce Public Funding for Port-Related Infrastructure

- Economic downturn is national issue
 - Real economic growth has slowed considerably in the last two years
 - Exports have grown in recent months
- Federal Reserve's Richmond District reported in July that
 - Overall economy weakening further
 - National freight trucking companies had seen rise in export shipping volume
 - Manufacturers report continued pull back in shipments and orders
 - Ports reported healthy export activity and steady imports
- Port and related industries are indispensable to the economic future of Hampton Roads and the Commonwealth

The Slowing Economy Will Reduce Public Funding for Port-Related Infrastructure

- Federal highway trust fund will be in deficit in 2009
- VPA receives 4.2% of Virginia's Transportation Trust Fund (about \$38 million a year) and leverages it with debt
- With declining gas tax and MV sales receipts (primary sources of transportation funding at the federal and state level), the outlook for the needed rail and road improvements is pessimistic
- State gas, sales and MV sales taxes reforecast this fall will likely result in reduced revenue projections for all modes of transportation
- Public private partnerships typically require public funding to achieve public benefits